

## **Instructions from Attachment 4: Computation of CBRF Rates**

### **A. Rate Related Forms and Instructions**

These instructions correspond to the set of model worksheets for calculating cost-based rates for CBRF's. When counties develop their own forms for rate setting, they should use the following minimal guidelines:

1. The forms and instructions should make it clear that only costs actually related to the CBRF should be included. (For instance, if the family (owner/operator) lives in the facility, family related costs should not be included.)
2. The form should permit the entry of all allowable costs.
3. The forms must show projections of costs for the coming contract year. Counties may also require that the forms show audited costs from the most recent year.
4. For facilities likely to have Medical Assistance Waiver clients, Room and Board costs must be segregated from service and administrative costs (See Appendix 0 from Waiver Manual).
5. Where the facility wishes to have more than one standard rate for the entire facility, there should be a segregation of costs between different services that the facility plans to make available.
6. Units of service from the most recent audited year or current year should be included as well as units of service projected for each service type for the coming contract year. The units should reflect the kind of service being billed (typically days or months).

### **B. Model Worksheet Form**

The attached worksheet was developed to meet the guidelines listed above. The form requires an identification and allocation of allowable costs, an estimate of the service units to be provided, and the calculation of rates by dividing costs by estimated service units.

Column (1a) and (1b) Total Facility Costs. Enter all allowable costs associated with the facility, its operation, and services. If persons other than residents live in the facility, the costs associated with their living space and living expenses should not be included in the Total Facility Costs. Column (1a) should show costs from the most recent audited year (if available). Column (1b) should show anticipated costs for the coming year for which rates are being calculated.

Column (2) Costs Allocated to Facility Rate. In most situations the amounts in Column (2) will be identical to Column (1b). This column will show facility costs for room; board; administration; and, at a minimum, the services required by administrative rules.

There are two kinds of cases where Column (1b) will not equal Column (2):

a) When the facility charges for some services that are not a part of the all inclusive facility rate. In this situation, the Total Facility Costs in Column (1b) will be distributed between column (2) and column (5), which contains those costs that will be allocated to service rates other than the Total Facility Rate.

b) When the facility provides more than one level of care with clearly different costs associated with each level of care. When there is more than one level of care, each with its own associated all-inclusive rate, it is recommended that there be a separate page 1 completed for each level of care. The Total Facility costs would be entered once in column (1b) and that amount would be allocated to column (2) on separate page 1 worksheets. Please note that the amounts in Column (2) when totaled should equal the amounts in Column (1b).

For CBRF's with one level of care and which allocate all of their total costs to column (2) and do not qualify for Medical Assistance Waiver Funding, there should be no further allocation of costs beyond column (2) before calculating the single all inclusive facility rate.

When a CBRF serves persons who are funded by a Medical Assistance Waiver (COP-Waiver or CIP), there should be an allocation of the amounts in Column (2) to Column (3), Room and Board and Column (4), Program.

Column (3) Room and Board Costs. These costs may not be funded by Medical Assistance Waivers. While the recommended worksheet shows allocation between columns (3) and (4), counties and CBRF managers should consult the most recent MA Waivers Manual to assure that they have current guidelines on the separation of room and board costs.

Column (4) Program Costs. These costs may be funded by the Medical Assistance Waivers.

Column (5) Costs Allocated to Separate Rates. When it can be anticipated that some facility residents will require services provided by the facility with clearly different, identifiable costs, the facility may propose and the county may approve service rates in addition to the Facility Rate. The costs for these services must be included in the Total Facility Costs as identified in Column (1b).

Please note that the costs in column (5) and column (2) should add up to the costs in column (1b)

Column (6) Break out of Costs for Service Rates. If there is to be more than one service in addition to the services funded by the Facility Rate, the costs for these additional services should be broken out in the sub columns of (6) --Columns (a) - (d). Please note that the total costs of columns (6) (a) (6) (d) should equal the amounts in column (5).

C. Allowable Costs to Include in Rates

Wisconsin Statutes require that Purchase of Services rates be based on actual allowable costs. These costs have been identified in the Allowable Cost Policy Manual distributed by the Department of Health and Family Services.

While Wisconsin Statutes permit allowances for profit for proprietary agencies there should be no allowance for profit added to the following cost categories except where expressly permitted in item 25, Allowable Profit.

The following list of descriptions of allowable cost items is recommended as consistent with the Allowable Cost Policy Manual distributed by the Department on February 28, 1995. Purchaser and Provider agencies are responsible to assure that they use the most current allowable cost policies.

1. SALARIES

a. Owner Salaries:

Salaries paid to individuals with a 50 percent or more interest in the organization. Interests of related parties will be combined. Related parties are defined as entities with common ownership or control as well as immediate family relationships.

Enter the total actual salary of owner(s) . Also indicate approximate total hours worked during the year by owners.

Note: Where there must be a allocation between Room and Board and Program, allocate the proportion of owner's salary for property maintenance to Room and Board.

b. Employee Salaries:

Salaries earned by an agency's regular and temporary employees. Salaries earned are defined as for current services and include gross compensation paid in the form of cash, products, or services.

## 2. FRINGE BENEFITS

Fringe benefits are allowances and services provided to employees in addition to regular salaries and wages.

Fringe benefits will be budgeted as a percent of salaries based on prior year actual with necessary adjustments. If fringe benefits rate is more than 30 percent, a detailed schedule must be included:

The employer's share of fringe benefits may include, but are not limited to, the following:

- \* Health and Medical Insurance Plans
- \* Life Insurance
- \* Professional Liability Premiums
- \* Retirement plans if paid pursuant to an IRS approved plan.
- \* Social Security Tax
- \* Unemployment Compensation Taxes or benefits paid if under a self-insured plan
- \* Other benefits paid by agencies pursuant to negotiated Union contracts

Worker's Compensation Insurance costs may be incurred as an insurance premium, a premium paid to a funded self-insured plan, or as a direct payment of benefits when awarded if self-insured.

## 3. TRAVEL REIMBURSEMENT TO STAFF

Employee reimbursement for actual, reasonable and necessary expenses incurred. This would include personal car mileage, not to exceed the federal/IRS rate, public transit, lodging, and meals while traveling.

## 4. CLIENT TRANSPORTATION

Costs incurred in transporting clients such as contract services, public transit, and mileage payments to staff or volunteers, not to exceed federal/IRS rate and emergency transportation.

## 5. RECRUITMENT

Expenses related to advertising for candidates for vacant positions.

## 6. TRAINING/STAFF DEVELOPMENT

Training costs including conference registrations travel, lodging, and costs for in-house training for staff development, which directly benefits the program.

7. SUPPLIES

- a. Office: This account reflects supplies and expenses related to operation of the administrative offices. It includes such things as general office supplies, postage, forms, and stationery. Receipts and refunds for these items will be credited directly to this account.
- b. Medical: Items such as first aid supplies are charged here.
- c. Household: This account should include brooms, brushes, cleaning compounds, disinfectants, drinking cups, insecticides, mops, polish, scrub buckets, toilet paper, drapes, curtains, shades and other housekeeping supplies. It should also include the cost of laundry soaps, detergents, powders, ammonia, bluing, starch, pressing clothes, etc.
- d. Linens: Such things as towels, washcloths, and bedding will be charged to this account.
- e. Programs: Various items needed for carrying out activities for/with clients such as recreational supplies.
- f. Other: Supplies not included in other categories.

8. FOOD

The cost of food provided to clients. Meals provided to staff who have no meal period and must remain on duty are also available. Meals provided to other staff must be for a charge. These fees should be credited to this account.

9. ADVERTISING

The cost of advertising through the various media for program-related purposes.

10. TELEPHONE FOR FACILITY

This includes regular billing, installation, and removal of telephones, and long-distance calls, as well as answering services for additional telephone services as needed to enable personnel to be contacted on an emergency basis.

11. TELEPHONE FOR RESIDENTS

If there are identifiable costs related to resident use of telephone enter those costs.

12. PRINTING

Cost of printing and reproduction services necessary for agency administration and client programs.

13. INSURANCE

Premiums for fire, liability, boiler, surety bonds, and other forms of insurance, exclusive of payroll-related insurance will be charged to this account. If the provider coverage is included with other groups in a single policy, an equitable distribution of the premium should be recorded on the provider records.

Worker's Compensation Insurance costs may be incurred as an insurance premium, a premium paid to a funded self-insured plan, or as a direct payment of benefits when awarded if self-insured.

14. UTILITIES

Water, electricity, gas, and other fuels will be charged to this account. This account also includes costs related to cable or satellite television systems used by residents.

15. REPAIRS AND MAINTENANCE

- a. Building: Improvements which result in an increase in useful life over current useful life shall be capitalized (see DEPRECIATION). Expenditures which do not extend useful life but merely keep the facility in ordinary efficient operating condition are classified as repairs and maintenance.

All materials and parts used in repairing and maintaining the building will be included in this account.

Charges to this account include such things as lubricants, light bulbs, fuses, ash cans, fire extinguishers and other supplies used in providing heat, light, power, air conditioning, ventilation and water softening.

- b. Equipment: Cost of service and parts to repair and maintain equipment.
- c. Vehicle: This account will include vehicle operating expenses, such as gas, oil, grease, tires, batteries, and licenses. Repair parts purchased and repairs made by outside concerns to such equipment will also be included in this account.

16. RENTAL OF PROPERTY AND EQUIPMENT

Rent for property or equipment will be paid with the following requirements:

- a. For major items, a copy of the lease must be included, the purchaser may request a listing of limited partnership investors.
- b. Where applicable, proper capital lease accounting must be used.
- c. Rental rates may not exceed fair market value for similar property, equipment.

## 17. DEPRECIATION

Depreciation is an allowable expense under the following conditions:

The depreciation must be:

- \* Identifiable and recorded in the agency's accounting records;
- \* Based on the historical cost of the asset or fair market value at the time of donation in the case of donated assets, assets must have a cost or value of \$5,000 or more and a useful life of more than one (1) year; and
- \* Prorated over the estimated useful life of the asset using the straight-line methods.

## 18. INTEREST

Interest associated with liability in excess of agency net assets will not be allowed.

Interest on newly constructed buildings should be capitalized according to Generally Accepted Accounting principles.

### A NOTE ABOUT MORTGAGE, PRINCIPAL PAYMENTS

Mortgage (principal) payments are not allowable costs. These payments represent acquisition cost and are reimbursed through the depreciation expense.

## 19. PURCHASES OF FURNISHINGS AND EQUIPMENT UNDER \$5,000

Furnishings and equipment with a cost of less than \$5,000 should be expensed in one year and charged to this account.

## 20. PROFESSIONAL FEES

All professional fees incurred in the normal course of providing service to clients or complying with the terms of the County contract should be charged here. This would include legal, accounting, auditing, data processing, and consulting costs.

## 21. LICENSES

Licenses necessary to operate the agency.

## 22. TAXES

- a. Real Estate Taxes: Real Estate Taxes or payments in lieu of taxes which the agency is legally required to pay.
- b. Corporate Income Taxes: The tax liability of incorporated vendors.

23. OTHER ALLOWABLE EXPENSES

Expenses not included in above categories, attach detail.

24. SUBTOTAL OF COSTS or NET ALLOWABLE OPERATING COSTS

Agencies should find the total of the categories shown above.

This amount is used to compute ALLOWABLE PROFIT where permitted.

25. ALLOWABLE PROFIT

Not-for-profit agencies should enter ZERO in this line.

For-profit agencies may add an allowance for profit. The allowance is subject to these general guidelines:

- \* No provision for profit should be included in any other line item.
- \* Once the budget is approved, the Provider is not to request budget adjustments from the Purchaser except for major, unanticipated situations.

Allowable profit is computed in Column (1b) at follows:

- a. Determine the Net Allowable OPERATING Costs. (This is the amount in line 24 in the recommended worksheet.)
- b. Multiply the Net Allowable OPERATING Costs by 0.1 (10%).
- c. Multiply the Net Allowable OPERATING Costs by 0.075 (7.5%)



- d. Find Net Equity as it relates to the facility.

“Net Equity” is defined as the cost of equipment, cost of buildings, cost of land and cost of fixed equipment less accumulated depreciation and long term liabilities. The average net equity for the year shall be used. (Allowable Cost Manual).

- e. Multiply Net Equity by 0.15 (15%).

- f. Add the result of step c. to the result of step e.

- g. Allowable Profit is the lesser of the result of step or b. step f.

Agencies which do not compute Net Equity in step d, may use the amount in step c as the Allowable Profit amount.

- h. Allocate Allowable Profit to the remaining columns used in the worksheet in proportion to the totals in line 24 of each column. For example, what if --

The amount in Column (1b), line 24 is \$100, 000 and the amount in Column (3) line 24 is \$25,000?

We would divide \$25,000 by \$100,000 and find that the amount in column (3) is 25% of the amount in Column (1b)

The amount we should enter in line 25 of line Column (3) would be 25% of the amount in line 25 of Column (1b).

## 26. TOTAL ALLOWABLE COSTS

Add NET ALLOWABLE OPERATING COSTS to ALLOWABLE PROFIT  
(in each column, line 24 + line 25)

## D. Estimate Units of Service and Rate Computation

The Facility Rate in Column (2), the Room and Board Rate in Column (3) and the Program Rate in Column (4) are found by dividing the TOTAL ALLOWABLE COSTS in each column by the number of resident days anticipated for the coming year. The model worksheet assists with the math by using the following steps:

- \* Enter the Budgeted beds for the facility in line 26 (that is the average occupancy anticipated for the year). If you anticipate 100% occupancy at all times, enter the licensed capacity.

- \* Divide the TOTAL ALLOWABLE COSTS by budgeted beds, to find the annual cost per budgeted bed. (Line 26 divided by line 27). This is the Monthly Rate for the facility.
- \* To find a daily rate, divide the Annual cost per bed by 365 or the number of days in the budget year.

If the Purchaser agrees that the CBRF may use service rates in column 6 in addition to the Facility Rate, the service rates are found by dividing the TOTAL ALLOWABLE COSTS in each sub column under Column (6) by the number of estimated service units anticipated for the coming year. The model worksheet uses the following steps:

- \* Identify the unit type (s) in line 27. The Purchaser shall specify the service unit types that may be used for each of the services used under column (6). The Purchaser may need to specify unit types that are compatible with service and cost reporting systems used by the Department of Health and Family Services.
- \* Enter the anticipated number of service units for the coming year in line 28.
- \* Divide TOTAL ALLOWABLE COSTS for each service by the number of anticipated units for the coming year. (Line 26/Line 28 = Unit rate to enter in line 29).